

325 APR 1940
The

MORTGAGE BANKER

JAN 15 1940

VOLUME II—No. 2



JANUARY 15, 1940

You'll Profit by Attending MBA's Mortgage Clinic

***This Is a Meeting That Should
Produce Tangible Results Which
You Can Use in Your Business***

By **GEORGE H. PATTERSON**

*Third, are your bookkeeping methods
modern and in keeping with profitable*



GEORGE H. PATTERSON

present day mortgage practice? Don't forget that the amortized mortgage, the en-

trance of FHA and other factors have caused tremendous changes in operating a mortgage loan office. Are you sure your methods are best? Come and hear how others do it.

Fourth, how can mortgage men better regulate their business so that excessive, detrimental competition can be eliminated? There's probably the hottest subject in mortgage banking today—the so-called "cut-throat" competition for loans, the commission and no-commission questions, loan "shopping", the question of insurance, etc. What's your experience? MBA members want to hear it—and you'll want to hear theirs.

These are only four of the subjects for clinical discussion. We will probably cover as many as 15 or 20 during the day. All MBA members have received the "Inventory Blanks" on which they are to list the subjects they wish discussed. Note your selections and return yours as soon as possible. We're building our program around your suggestions.

But, above all else, come prepared to give your own views on at least several mortgage matters. Remember that the success of the Clinic largely depends on as many expressions of opinion as possible. The Mortgage Clinic is one MBA activity you can't afford to miss. Remember the date: *February 10 in Chicago at the Hotel Knickerbocker.*

FOR nearly a decade it has been my privilege to serve the Mortgage Bankers Association of America as its secretary and treasurer. Never, during that time, have I been able to more heartily recommend any one thing to our members as I do the Mortgage Clinic which your Association is sponsoring in Chicago on February 10.

This is to be a mortgage meeting for mortgage men, about mortgage matters with mortgage men presenting the views.

I don't know of a better expenditure of time and money any MBA member could make than to attend this Clinic.

Let's just analyze briefly some of the mortgage topics up for discussion:

First, what's been your experience with advertising—display, classified, direct mail, etc.? That's one subject, and I'll venture to say there is not a single MBA member who wouldn't like to hear it thoroughly rehearsed.

Second, do your appraising methods meet today's needs? There's one that could easily occupy ten clinics; but I'll guarantee that you will hear plenty at Chicago February 10th on appraising that will be useful to you.

Do You Service Future Tax Payments?

Most Mortgage Bankers Have Done So for Obvious Reasons; Mr. Gill Here Suggests a New Method of Handling

By McCUNE GILL

THE PROBLEM: Many mortgage bankers have felt in the past that they are duty bound to their investors to service future tax payments. The reason for this is, of course, to prevent the superior lien of taxes accumulating and thus constituting a substantial encumbrance ahead of the mortgage lien. The usual way in which this duty has heretofore been fulfilled is for the mortgage company each year to check the payment of annual taxes. This checking service has involved several elements.

First, it takes considerable time of the clerical department of the mortgage house. Letters must be written to the property owners who in turn must send their tax bills to the mortgage company. The bills must then be returned after examination of description of property and amount of payments. Or the mortgage company's tax clerk must make an examination of the tax collector's records to ascertain which taxes have and have not been paid.

Second, the tax clerk may not be in a position thoroughly to examine the tax records, particularly as to special taxes and assessments for sewers, streets, street openings and other similar matters. The owner of the property may not be aware of such special assessments.

Third, the expense of conducting these investigations must be paid by the mortgage company as it is usually impractical to collect a service charge from the borrower after the loan has been closed.

The problem heretofore existing is now of much greater importance to mortgage bankers because insurance companies, governmental agencies, savings and loan associations and other lenders are insisting upon a more complete tax servicing of mortgages, and agents find that tax information which formerly was desirable though optional, has now become mandatory and of para-

mount importance, and must be handled in a complete and efficient manner.

THE SOLUTION: To meet this new need many of the title and abstract

COMPLETE tax information, which in the past has only been desirable, is now mandatory. Insurance companies, government agencies and other lenders are insisting on a thorough tax servicing of mortgages. Mr. Gill suggests a method whereby title companies handle this service at low cost. Mr. Gill is a member of M.B.A.'s board of governors from St. Louis. He contributed "Helping Mortgage Bankers Over a Hurdle in Making Construction Loans" in our August 1st issue.

companies throughout the country have inaugurated a service which relieves mortgage companies and their agents from most of the work, liability and expense in connection with tax payment servicing.

The plan is for the mortgage company, at the time it makes a loan, or upon renewal of an existing loan, to collect a small additional fee from the mortgagor which will be sufficient to pay the title company for future annual tax searches during the entire life of the loan. The fee for such service usually runs a dollar or two per year, except in cases where the record of small local or outlying municipalities or districts must be examined. In such cases the fee may be as much as \$4 or \$5 per year.

Assuming that a five year loan is made in a community where all of the tax records are readily available, and that the title company's charge is \$2 a year, the mortgage company will col-

lect \$10 from the borrower at the time the loan is made or renewed. This sum is paid to the title company and thereafter the mortgage company receives automatically each year from the title company a report as to the state of the taxes. This includes not only general taxes but also the special improvement, sewer, street opening and other taxes and assessments.

Although the mortgage company's search for such special taxes might be impractical or doubtful, as indexes are usually involved or missing, the title company can make an accurate report because it has compiled its own indexes covering such matters. These indexes are used by the title company in its regular title work. If all taxes are found to have been paid the mortgage company need not write to the borrower nor concern itself further with the matter. In case some of the taxes are not paid, the usual demand for payment can be made or advancement of funds arranged for by the mortgage company.

By availing themselves of this service, mortgage bankers can meet some of the objections to present methods.

First, this service eliminates entirely the necessity of the mortgage agent writing to each borrower, and the trouble of handling tax bills. The agent need contact the borrower only if some item of taxes remains unpaid.

Second, the mortgage company will know that every item of taxation has been covered, including numerous special taxes which the mortgage company's clerk probably could not find, or could find with difficulty.

Third, the expense has been borne by the borrower and not by the mortgage company, and, being rather nominal in amount, can be collected at the time the mortgage is made or renewed with little or no resistance.

I think that any mortgage banker or lender's representative, who has not considered such a tax search service, will do well to contact his local title company or abstractor to ascertain what arrangement can be made along these lines, and thereby render tax servicing much less complicated and expensive and much less hazardous.

Give the Public What They Want

**Mortgage Lenders Will Get No
Place Today by Trying to Buck
the Trend, Says This Author**

By H. A. LYON

THE field of mortgage lending and real estate management are no more remote from the need of public relations activities than any other line of business, for mortgage lending, rentals and sales involve dealing with numbers of people whose good opinion is essential to continued successful operations.

The first requisite of public relations is to ascertain what it is in the matter of policies and practices of which the public approves and of what they disapprove. Unless we know that, study it and bring that knowledge to bear upon the creation of policy and the maintenance of practices we shall not be successful. We may discover that a factual study of the needs, wants and opinions of the public will make a grave difference in our attitude toward this major problem for lending institutions.

Perhaps of the most immediate moment to lending institutions is the question of what shall be done with Other Real Estate. We overlook for the moment the severity of bank examinations and the insistence of public authorities that properties be sold, for that puts before us an artificial barrier to objective thinking.

The student will ask himself: *First, whether there is today the same urge to own property as prevailed in the past.* The answer seems to be definitely "no." Many factors have contributed to a change in sentiment, such as the experiences of home owners who have lost their investment; the greater mobility of the population which has resulted from wide-spread ownership of automobiles together with the greater pleasure motoring seems to give; the concentration of employment by big corporations which carries the possibility of employees being shifted from one place to another without their full consent; the reduction in the size of families and the frequent condition that the young people may well move away

from home leaving the parents with a housing problem.

These are some of the factors. There also seems to be a very serious impres-

THE theme of this article is "Public Relations in Mortgage Lending and Real Estate" and the author is a New York authority in that field. He recently spoke before the Westchester Chapter of the AIB and made this digest of his remarks for *The Mortgage Banker*. Mr. Lyon believes that mortgage lenders today ought to know a great deal more than they do about some of the essentials of why people borrow and build. Is there the same basic urge to own property that existed in the past? He concludes that there probably is not.

sion today that it is more expensive to own than to rent, not only in dollars and cents, but in the attention required in the upkeep of property and that to incur this extra expense is not worthwhile.

It remains, then, for lending institutions to investigate how strongly these sentiments are imbedded and whether they constitute a barrier to the sale of homes and thus to future mortgage lending possibilities. If it should be found, (and no one really knows) that the trend is away from home ownership, it should materially affect the policies and practices of mortgage lenders. It may change the entire complexion of their business; if we let our imaginations operate, it is not difficult to foresee the possibility that the activity of such institutions might rather be in the field of building, owning or operating properties on a rental basis rather than serving as financiers for

other owners. Here again we may go off in several different directions. One such might be the sponsoring by lending institutions of large scale real estate operating companies, for whose activities the institutions would furnish mortgage money in large quantities and for large developments. Another direction might be the actual entrance into the building ownership and operating field of the institutions themselves, individually or in concert with other institutions.

This leads up to a second broad consideration, for we have opened up in these possibilities the notable difference between lending on individual homes and lending to operators of rental projects. That difference has been clearly stated by Dr. Ernest M. Fisher, research director of the FHA and instructor at the Graduate School of Banking. The difference is that in an individual loan the lender may look to the terms of the contract for reimbursement, whereas in an income-producing property he must clearly look to the income from that property for the fulfillment of the obligation. In short, the institution is in truth a partner and the extent of its interest in the partnership will depend upon the proportionate amount of the total investment which it has contributed.

It follows then that a lending institution making this sort of loan must take an active interest in the management of properties in which it has invested; otherwise it has no assurance that the property will be so managed that the income will be maintained out of which the debt may be repaid.

It also implies quite definitely that the lending institutions would do well to conduct their own research into the type, location and quality of projects which merit the investment of their funds. Here again is a change in thinking, for it is commonly said that in the past the borrower has been able to shop around to set the terms of a loan instead of having those dictated by the lender. It seems entirely possible to the observer that cooperatively, and utilizing the tremendous volume of factual material collected during the past

(Continued page 7, column 2)

January 15, 1940

Bank Competition in Mortgage Lending

Mortgage Investments by Federal Agencies Likely to Decline or at Least Will Show Small Increases

By C. S. YOUNG

TAKING into consideration the increase in mortgage investments by commercial banks, it is my personal opinion that the total amount of mortgage investments held by Federal agencies will decline or, at least, the increase will be comparatively inconsequential.

In recommending that minimum standards should be observed, the Board of Governors of the Federal Reserve System believes that some of these standards are especially required by law with respect to loans of national banks, while others are advisable as a matter of sound banking practice. The examiners for the Federal Reserve Banks are instructed to take such standards into consideration in reviewing loans of state member banks. Federal Reserve banks, in passing upon applications of member banks for credit accommodations supported by real estate loans, are supposed to give preference to the acceptance as collateral of such loans as meet these standards.

A more general use of amortization schedules has been sold to the public as a proper procedure through two Government agencies—HOLC and FHA. I am of the opinion that this is one of our best protections. It is a hedge against the mistakes of judgment in appraising and the vicissitudes of the future. With respect to residential and business property, the amortization schedule policy protects the bank against obsolescence, depreciation, waste and neighborhood changes.

In reviewing the mortgage files of various banks in this (Chicago) district, I am led to believe that banks should adopt the policy of reappraising city property and having frequent neighborhood inspections. The volume of new building accelerates the obsolescence of the old. Higher taxes and higher assessments on old properties create increasing underlying liens against actually declining real values because struc-

tures themselves are obsolete and do not fit the demands of today.

This leads to the inevitable conclusion that the principal payments on an

MR. YOUNG is vice president of the Federal Reserve Bank of Chicago and recently addressed the University of Illinois Banking Conference on "Some Considerations Affecting Mortgage Loans and Investments." This article is that portion having to do with mortgage lending. He advises bankers to handle mortgage investments with care and caution these days and warns that one danger of the present time is the keen competition between banks and other agencies.

amortized mortgage loan should reduce the debt to a conservative value of the site within the economic life of the building. We all know that long foreclosure periods, the costs of foreclosure, moratoriums, unpaid taxes, needed repairs not made, and principal payments not collected give banks depreciated properties with prior liens and possible losses. A well-known banker recently said that:

"We are told the credit risk is more important as basic security than property values. I will not deny its importance, but I will deny it that importance. After the loan is first made, the biggest danger is the unemployment of the borrower. This may be loss of job, salary, dividends, interest or rental income. A failure of income cannot be foreseen, regardless of the care used in extending the original credit. A credit risk may be good for several years, but in 10 or 15 years the country probably will pass through two business cycles,

maybe more. In this young country people do not stay long enough in one place. Legislatures are rapidly wiping out deficiency judgments. That adds no value to the credit. The only hedge against any or all of these risks is amortization while the borrowers' income is coming in."

I think this banker's remarks are worthy of careful consideration. Special attention should be directed to the appraising of the property. The appraiser, in submitting his appraisal to the bank, is judging the future usability of the property, whether its improvements are in keeping with the district, and what the district's changes will be over a long period of time.

One of the dangers in making mortgage loans is the competition between banks and other agencies. As a result, interest rates are reduced, appraisals are liberalized, and I have been informed that loans are being solicited in many cases and inducements are being offered by lenders with no community interest other than the commission or service to be earned.

Advises Caution

However, if reasonable precautions are taken at the time of inception of the real estate loan, I am sure that losses on loans of this character will be held to a minimum.

From time to time the suggestion has been made that the Federal Reserve Bank itself should set up an Investment Advisory Service for its member banks which would include the suggestion to such banks what percentage of their total deposits should be invested in real estate mortgage loans. We often claim that we are a service institution designed to serve your interest and through you the community as a whole. That being so, it might well be asked why we do not undertake the task of advising banks on investment matters.

There are, I think, obvious difficulties: As administrators of the ultimate credit reserves of the country, as fiscal agents of the Government, and as supervisory authorities, we have unavoid-

(Continued page 7, column 3)

The Average City House Built in 1939 Cost \$5,134

**But It Will Cost 10% More This
Year; Single Family House Con-
struction Was Up 30% Last Year**

LAST month we reported that MBA figures showed that single-family house construction was up 30 percent in 1939 as compared with 1938. This month our study covers costs—and here again we find that higher levels are expected this year.

One striking fact reflected by these MBA figures is the higher cost of building in cities. We think that, in the months to come, the present federal investigation will turn up some enlightening data on what is the matter with the building industry.

The other day some statistics were published on the industry which we imagine did not receive a very wide audience. One thing pointed out was that from 1919 to 1935 our gross volume of construction averaged 8 billion dollars a year—while the nation was collecting 64 billion in income. In 1929, more than 3 million workers were attached to the building industry—of these 2½ million were actually employed. These figures reflect the vast size of the industry—and how much we need a revival in it.

One thing frequently heard about the building industry is that it is small fry, disorganized, sleepy and tradition-bound.

And no wonder, according to these figures. Eighty-five percent of all home builders individually construct less than five homes each year.

It is the view of thoughtful men everywhere that the building industry needs a reexamination. If what seems to be wrong is wrong, then some sensible overhauling is called for. Many believe that there are abuses in the field that only a federal investigation can remedy. Regardless of the merit of the present investigation, there seems to be little doubt that a great deal of good will result, if for no other reason than it will turn the light on practices that should be publicly known.

Turning from the building industry, an examination of that portion of the recent MBA study concerned with prices shows that in these same 64 cities

THIS is the third of a series of articles based upon data compiled from our recent survey among MBA members. The latter part contains portions of a year-end statement by President Shutz in which he points out that 1940 urban house building will surpass—for the first time in a decade—the 500,000 units which is generally considered necessary for normal replacements and the increase in families. More reports based upon our study will appear in future issues.

the average cost of single-family dwelling units in 1939, based upon members' replies, was \$5,134. This is \$284 less than the average cost shown for the same number cities about a year ago in a previous Mortgage Bankers' study.

This \$5,134 also compares with an average cost of \$3,611 for all non-farm dwelling units built in the United States in the first six months of 1939, according to government figures—a difference of \$1,523.

"This \$1,523 difference no doubt largely reflects the higher costs of building in cities. The \$3,611 is for the country as a whole. Our figure is based on replies from 64 cities only," said President Byron T. Shutz.

Average cost of single-family houses built in 33 Middle Western cities last year was \$5,208; in 13 Eastern cities, \$6,291; in 10 Southern cities, \$4,150; and in 8 Far West and Mountain cities, \$4,889.

Hence the lowest average cost—\$4,150 for the South—is more than \$2,000 lower than for the highest aver-

age cost that of \$6,291 shown for Eastern cities.

A prospective rise of about 10 percent in costs of single-family houses is predicted for all sections of the country by our members with the exception of the Far Western and Mountain cities where a gain of over 7 percent is anticipated.

Members in 33 Middle Western cities anticipate a rise of 10.3 percent, in 13 Eastern cities a rise of 10.15 percent; in 10 Southern cities a rise of 10.9 percent and in 8 Far Western and Mountain cities a rise of 7.07 percent.

"It is the belief of many that such building as is being done today is largely for the higher income groups and that a return of a normal building volume will only come when we succeed in reaching the vast untapped market that cannot afford anything much above a \$3,500 house," Mr. Shutz said.

"I think one of the biggest factors in the housing field today is just that—how to build a good house that the great mass of our people can pay for on present day incomes."

Nineteen-forty, however, ought to be an epochal year in one respect in that urban house construction will surpass, for the first time in more than ten years, 500,000 units—the volume generally considered necessary for normal replacements and the increase in families, Mr. Shutz said in a year-end statement.

Thus, for the first time in more than a decade, new urban building will show an actual net gain.

He estimated urban dwelling construction in 1940 at around 517,500 units, based upon calculations made from figures submitted by our members.

"Next year may also probably be the last of the really 'bargain' years for prospective home buyers," he said. "Building costs will rise and financing costs doubtless will show some increase. But, all in all, the general terms offered a home builder or buyer will still be about as attractive as this country has ever seen."

Based solely upon data submitted by Association members, Mr. Shutz said that in 1940 it appeared likely:

That the average urban house will

(Continued page 7, column 3)

January 15, 1940

Association ACTIVITIES

★ NEWS OF WHAT'S HAPPENING
AMONG MBA MEMBERS AND
OUR LOCAL ASSOCIATIONS

OKLAHOMA MBA HOLDS ANNUAL CONVENTION



TWO RECENTLY ELECTED LOCAL MBA PRESIDENTS: Left, Edward F. Lambrecht, President, Lambrecht Realty Company, new head of the Detroit MBA whose election was reported in our last issue; right, Guy T. O. Hollyday, who was named as the first president of the recently organized Mortgages Bankers Association of Baltimore. Mr. Hollyday has been shouldered with a good deal of Association work this year. He is a member of the board of governors and executive committee, and in addition to his work for the Baltimore local group, he is also serving as national membership chairman for the 1939-1940 term.



In the December 15th issue we announced the new officers of the Mortgage Bankers Association of St. Louis. Here they are, reading left to right: A. Sproule Love, president; J. Gregory Driscoll, vice president; George Stolz, treasurer; and Joseph H. Schenk, secretary.

January 15, 1940

The annual meeting of the Oklahoma Mortgage Association was held in Oklahoma City, January 12 with President Byron T. Shutz making the principal address. Secretary George H. Patterson also spoke briefly. The group had a noon luncheon meeting followed by an open forum discussion of general mortgage problems. The principal session was at seven o'clock in the evening at the Oklahoma Club. A portion of President Shutz's address was devoted to the possibility of devising a Fair Practices Code for the Oklahoma group.

At the business session, President Howard Moffitt presided and made a report of 1939 activities. Raymond McLain, Jr., secretary-treasurer, made his report followed by five speakers who commented on various phases of the mortgage business. These included President Shutz, Secretary Patterson, Robert E. Adams and G. H. Galbreath of Tulsa, and John I. Gilbert of Wichita, Kansas.

Following that, members heard an address by C. B. Warr, of the C. B. Warr Realty Co. of Oklahoma City on "What 1940 Holds from the Standpoint of Residential Construction."

MPLS MBA MEETS FEB. 7

The Minneapolis Mortgage Bankers Association has scheduled its annual meeting for February 7, Benjamin Walling, president, has announced. President Shutz and Secretary Patterson will both appear on the program. It is expected that, on the same day, a luncheon meeting of the St. Paul Mortgage Bankers Association will be held.

Interest in MBA's first Mortgage Clinic scheduled for February 10th at Chicago has surpassed expectations and indications now are for a very representative meeting. Attendance may run as high as 200. From present indications at least 125 will be on hand for this important conference. Members should promptly return the questionnaire showing their preference of subjects to be discussed at the meeting. Discussion leaders and final plans for the meeting will be announced in the next issue.

The MORTGAGE BANKER

Published Semi-Monthly by the
MORTGAGE BANKERS

ASSOCIATION OF AMERICA

111 West Washington Street, Chicago

BYRON T. SHUTZ..... President
DEAN R. HILL..... Vice President
GEORGE H. PATTERSON..... Secretary-Treasurer

The MORTGAGE BANKER is distributed free semi-monthly to members of the Mortgage Bankers Association of America. Publications may reproduce material appearing in the magazine only by permission of the Association. Opinions expressed in THE MORTGAGE BANKER are those of the authors or the persons quoted and are not necessarily those of the Association.

JANUARY 15, 1940

On Selling Farms

"LIFE insurance companies as well as agencies of the federal government are in the real estate business as an aftermath of depression. They are trying to liquidate properties acquired through mortgage foreclosures," says Nation's Business in an article on the subject.

One company owns so many farms in Missouri, for instance, that it issued a large booklet of listings for the state, arranged by counties. The booklet contains no promotion for life insurance, although it is understood that purchasers of the farms who give mortgages are required to carry minimum amounts of life insurance. The Federal Land Banks are inclined to sell their farms "as is," while this life company improves them and holds them for satisfactory prices.

Another life company has been conducting an advertising campaign in daily newspapers and country weeklies to sell its farm properties.

On Foreclosures

Urban real estate foreclosures have reached a twelve-year low. American home owners are setting a higher standard in meeting their mortgage payments than they did in the prosperous years of 1927-30.

About 85 percent of present foreclosures now are on homes. The rest are on commercial properties. The 89,727 foreclosures in the first 10 months of 1939 were 10.5 percent under the same period of 1938 and established a new low January-October record for the last nine years.

GIVE THE PUBLIC

(Continued from page 3)

few years, it should not be difficult for experienced people like the bankers to determine in advance the public needs of their respective communities in housing and supplementary construction, in which case respectable builders could readily be induced to undertake such construction to the satisfaction of all parties and with greater safety to the funds.

Isn't this better than to continue the haphazard individual type of lending which is at least potentially responsible for some of the grief of recent years?

Nothing Sure But Change

Public relations says quite definitely that if there is a legitimate and adequate public demand for anything, that demand will be filled by some one. It is extremely regrettable that in some instances, private enterprise has so failed in the fulfillment of sundry public demands that government has had to perform the task. If private enterprise is to continue to enjoy the prestige to which it has been accustomed in the past it will presumably have to forget some of the "sacred cows" worshipped in days gone by and start afresh with sound appraisals of these public needs, determination as to how far prudent financial practices can go in satisfying public wants, and finally action wherever that is desirable.

There are no brains more capable of a factual analysis of community needs in real estate than exist among the lending institutions. It seems only necessary to capitalize on that intelligence in order to determine just what future course should be pursued in the public interest. It is unsafe to consider the world as static.

Public tastes change, public wants develop. If we fail to follow such tastes and wants we are definitely swimming up-stream. Good merchandisers know that it is useless to try to "buck" public trends. The subject cannot be dismissed with a statement of wishful thinking, such as "we must educate the public back to what we have always thought was right."

Perhaps we were right then; perhaps we are wrong today. The only way to determine that is to take a long cold-blooded look at what is in the public mind and change our practices and ideas to the extent that sound banking and prudent judgment permit.

BANK COMPETITION

(Continued from page 4)

able responsibilities that might prove to be quite inconsistent with our rendering such an advisory service.

Our records show that numerous banks have been able to increase their loan portfolios by meeting the rate competition of other agencies. They feel that \$100,000 loaned at 4½ or 5 percent in their own communities is better than a \$250,000 outside investment at 1 to 2 percent.

I am of the opinion that the primary functions of most country banks are to serve as a safe depository for local funds and to finance local credit requirements. In estimating possible future local demands and in attempting to make adequate provision for them, country banks should consider carefully the enlarged lending powers of the Federal Reserve banks, the government's lending facilities, the facilities that have been established for refinancing the obligations of local borrowers, the stabilizing influence of the FDIC, and the probable effects of the numerous other measures that have been, or may be, taken to stabilize our economic life. There are now many devices for the protection of country banks and their communities that were not present in times past. Many times a bond list furnishes an excellent indicator of the characteristics of the management.

AVERAGE CITY HOUSE

(Continued from page 5)

cost about 10 percent more, or around an average of \$5,650;

That there is a good expectation of higher rents for single-family houses and a fair indication for apartment rent gains;

That mortgage interest rates will increase;

That, if a greater volume of new construction should develop than appears likely now, there would be an actual shortage of skilled building labor because of so few few having been trained in these fields in recent years.

"No other solution for cutting unemployment holds half the possibilities as does a revived building industry. No other can do half as much toward putting men to work," he said.

In the building of a standard house \$41 of each \$100 of costs is paid out directly in the form of wages.

January 15, 1940

REVIEW *of the* NEWS

★ HIGHLIGHTS FROM THE PRESS
OF PARTICULAR INTEREST
TO MORTGAGE BANKERS

End of 1939

Year-end forecasts, as they apply to mortgage banking and those activities affected by it, were generally optimistic.

Volume of real estate sales in 1940 will be higher than for 1939 in three cities out of every four of the country. Prices for residential property will be higher in almost one city out of every two, at least for new-built structures and for existing structures that are modern types and in the low-cost range, according to Freehold.

Sets 1940 Total

An American Builder's survey of active builders and material manufacturers leads the magazine to expect a further rise of about 10 percent in the number of housing units to be erected in 1940. For this year it estimates the total at 475,000, and if the forecast of an increase materializes, the 1940 total will be nearly 525,000, which would be well ahead even of 1929, when 509,000 non-farm homes or apartment units were constructed.

(In a year-end statement President Shutz set the figure at 517,500 based upon data submitted by our members. It will be interesting to check these figures at the end of the year.)

Lee E. Cooper, real estate writer in The New York Times says that:

"More than 65 percent of the single-family houses built last year have been in the price range under \$6,000, and the trend still appears to be toward lower-priced units. About 74 percent of the housing units completed in the last twelve months have been one-family dwellings, 22 percent were apartments, and about 4 percent were two-family homes. The aggregate cost of all home building for the year was placed at about \$1,900,000,000.

"Public housing operations are expected to contribute about 10 percent of the 1940 total. While there may be some further rise in construction costs in the year just ahead, it is not expected to be sharp enough to affect building volume appreciably."

January 15, 1940

Thumb-Nail Review

About the quickest year-end review we saw was that of a New York Stock Exchange house. The facts were boiled down this way:

1939 VS. 1938

Production:

Industrial Prod.	+22%
Pig Iron.....	+70%
Steel Ingots.....	+62%
Automobile Tires	+40%
Autos and Trucks.....	+40%
Building Construction	+8%

Consumption:

Wool	+43%
Cotton	+23%
Mail Order Sales.....	+19%
Lumber	+16%
Gasoline	+15%
Electric Power	+11%

Note that the building gain was the least of all!

John H. Fahey is one of those who isn't looking for any lower interest rates on mortgages. At the year-end he said:

"I think that interest rates on mortgages will stay about where they are, and in those areas where they are above 5 percent or 6 percent they are likely to come down. The trend toward the long-term amortized mortgage will undoubtedly continue."

A Matter of Life

The Seattle Board of Tax Appeals has decided that the useful life of an apartment house is thirty-five years. The taxing authorities held that an apartment house was useful for forty-five years. The interesting case, decided last month, revolved around a property constructed in 1927. Testimony developed that an apartment house did not live "economically" as long as did an office building, and many reasons were given to the appeals board for the difference in span of life. The owner of the apartment argued that thirty years was the life of the apartment property after July 1, 1933. The appeals board said that since "we have no special knowledge on our part which would justify its rejection, we cannot disregard it," so fixed the "life" of the building at thirty-five years.

A Resolution

Here is a resolution, recently passed by the Kansas City Real Estate board, which we think will interest MBA members. No comment is necessary; it tells its own story:

"WHEREAS, it appears that the appropriation allocated for the insuring of mortgages on existing homes under the provisions of the National Housing Act may soon be depleted, and

"WHEREAS, without the possibility of mortgage insurance, sound properties already constructed would be compelled to enter the real estate market at a marked disadvantage.

"NOW, THEREFORE, be it resolved that we urge the officials of the FHA and the members of Congress to give favorable consideration to the modification of the National Housing Act so as to eliminate, first, the provision that loans on existing houses shall not exceed 25 percent of the aggregate principal amount of loans insured; and, second, the provision that after July 1, 1941 loans on existing houses shall no longer be eligible for insurance."

Frazier and Lemke are two names that seem eternally linked to farm mortgage lending. Their latest appearance in the press was a few days ago when the Supreme Court decided that a State court cannot proceed with a foreclosure when a petition has been filed in a federal district court under the Frazier-Lemke Act. Mr. Justice Black declared:

"Congress repeatedly stated its unequivocal purpose to prohibit—in the absence of consent by the bankruptcy court in which a distressed farmer has a pending petition—a mortgagee or any court from instituting, or maintaining if already instituted, any proceeding against the farmer to sell under mortgage foreclosure, to confirm such a sale, or to dispossess under it."

The investment bankers didn't have such a good year, judging from the 1939 figures compiled by Fitch. Publicly-offered registered domestic stock and bond issues of a million dollars or more totaled about 1 billion, 250 million dollars. Compare that figure with the \$3,123,942,000 total for all mortgages of \$20,000 or less recorded in 10 months.

l
e
s
r
f
e
t
y
s
d
a
d
A
e
s
t
d
l
h
l
r
s
e
n
e
e
l
l
s
y
s
y
if
g
t
e,
e
9
r
d
e
l
r
of
s.